

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

In re:	§	
	§	Chapter 11
	§	
STEWARD HEALTH CARE SYSTEM	§	Case No. 24-90213 (CML)
LLC, et al.,	§	
	§	(Jointly Administered)
Debtors.¹	§	
	§	
	§	

NOTICE OF FILING JULY 31, 2024 HEARING DEMONSTRATIVE

PLEASE TAKE NOTICE THAT, on May 6, 2024, Steward Health Care System LLC and its debtor affiliates, as debtors and debtors in possession in the above-captioned chapter 11 cases (collectively, the “**Debtors**”), each commenced with this Court a voluntary case under chapter 11 of title 11 of the United States Code.

PLEASE TAKE FURTHER NOTICE THAT, a hearing to consider to following motions is scheduled to commence **July 31, 2024 at 1:00 p.m. (Central Time)** (the “**Hearing**”):

- *Emergency Motion of Debtors for Entry of an Order (I) Approving (A) Funding from the Commonwealth of Massachusetts for the Planned Transition and Sale of Massachusetts Hospitals, (B) the Closure of Carney Hospital and Nashoba Valley Medical Center, and (C) Procedures Related to Facility Closures; and (II) Granting Related Relief* (Docket No. 1711) (the “**Hospital Funding and Closure Motion**”), and
- *Emergency Motion of Debtors for Order (I) Authorizing Rejection of Master Lease II Agreements Effective As of the Rejection Date in Connection with Planned Transition and Sale of Massachusetts Hospitals to New Operators, and (II) Granting Related Relief* (Docket No. 1712) (the “**Rejection Motion**” and, together with the Hospital Funding and Closure Motion, the “**Emergency Motions**”).

¹ A complete list of the Debtors in these chapter 11 cases may be obtained on the website of the Debtors’ claims and noticing agent at <https://restructuring.ra.kroll.com/Steward>. The Debtors’ service address for these chapter 11 cases is 1900 N. Pearl Street, Suite 2400, Dallas, Texas 75201.

PLEASE TAKE FURTHER NOTICE THAT, the Debtors hereby file the Hearing Demonstrative for the Hearing, annexed hereto as **Exhibit A**.

Dated: July 31, 2024
Houston, Texas

/s/ Clifford W. Carlson
WEIL, GOTSHAL & MANGES LLP
Gabriel A. Morgan (24125891)
Clifford W. Carlson (24090024)
Stephanie N. Morrison (24126930)
700 Louisiana Street, Suite 3700
Houston, Texas 77002
Telephone: (713) 546-5000
Facsimile: (713) 224-9511
Email: Gabriel.Morgan@weil.com
Clifford.Carlson@weil.com
Stephanie.Morrison@weil.com

-and-

WEIL, GOTSHAL & MANGES LLP
Ray C. Schrock (admitted *pro hac vice*)
Candace M. Arthur (admitted *pro hac vice*)
David J. Cohen (admitted *pro hac vice*)
767 Fifth Avenue
New York, New York 10153
Telephone: (212) 310-8000
Facsimile: (212) 310-8007
Email: Ray.Schrock@weil.com
Candace.Arthur@weil.com
DavidJ.Cohen@weil.com

*Attorneys for Debtors
and Debtors in Possession*

Certificate of Service

I hereby certify that on July 31, 2024, a true and correct copy of the foregoing document was served by the Electronic Case Filing System for the United States Bankruptcy Court for the Southern District of Texas.

/s/ Clifford W. Carlson

Clifford W. Carlson

Exhibit A

Hearing Demonstrative



Steward Health Care

Chapter 11 Case Update

July 31, 2024



Roadmap

- 1 **Sale Process & Chapter 11 Case Update**
- 2 **Massachusetts Hospitals: Operations**
- 3 **Massachusetts Hospitals: Sale Process**
- 4 **Remaining Steward Sale Processes**
- 5 **Key Assets of Debtors' Estates**
- 6 **Certain Key Issues Remaining in the Chapter 11 Case**
- 7 **Path Forward and Chapter 11 Goals**



Sale Process & Chapter 11 Case Update

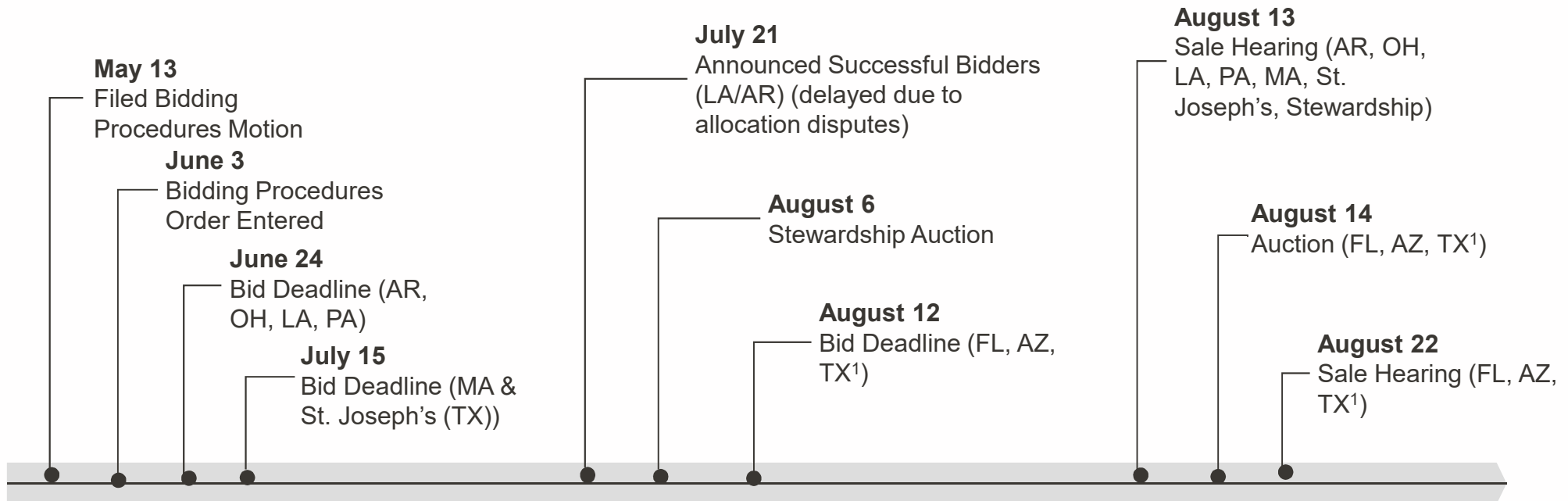
Steward's sale process is the foundation of these Chapter 11 Cases and is critical to maximizing recoveries for all creditors through value-maximizing transactions intended to ensure Steward's hospitals continue to operate for the benefit of all stakeholders, including Steward's patients, vendors, physicians, and employees, all while keeping patient care and safety the top priority

- The Debtors have remained steadfast in their goal to keep their hospitals open and operating to maintain jobs for their nearly 30,000 employees, continue to provide high quality care to their patients, and advance their sale and marketing efforts with the aim of selling their hospitals to new operators that could continue to serve the Debtors' patients and communities
- To that end, since the Petition Date, the Debtors have, or are in the process of:
 - providing high-quality health care to patients at 31 hospitals and numerous facilities through Steward's thousands of doctors, nurses, and staff;
 - raised two debtor-in-possession financing facilities (a junior \$75mm DIP facility from MPT and a \$225 million DIP facility from the Debtors' FILO Lenders);
 - received multiple bids for their Stewardship Health physician group in advance of an Auction scheduled for August 6th;
 - announced successful bidders for the Debtors' hospitals in Louisiana and Arkansas;
 - received binding bids from high-quality operators for six (6) of their hospitals in Massachusetts and are actively working to finalize agreements and announce successful bidders for such hospitals;
 - finalizing support from the Commonwealth of Massachusetts regarding the transition of such hospitals, and have filed a motion seeking approval of an agreement with the Commonwealth that provides for the Commonwealth to provide payments to fund the Massachusetts hospital operations pending the sale and transition of such hospitals to new operators;
 - continuing to advance discussions with bidders in connection with the sale of the Debtors' hospitals in Florida, Texas, and Arizona;
 - continuing to work toward the transition the operations of the Debtors' hospitals in Ohio and Pennsylvania;
 - continuing to work with the Trustee-appointed ombudsmen and regulatory agencies to provide quality patient care for the communities they serve; and
 - engaged in multiple days of mediation regarding a global resolution regarding, among other things, the allocation of value between the Debtors' hospital operations, and the underlying real property owned by Medical Properties Trust.



Current Sale Process Timeline

The Debtors initiated these Chapter 11 Cases with the goal of an expeditious sale process; however, they have extended certain dates to promote competitive bidding for the benefit of all stakeholders and due to intercreditor and interstakeholder issues



• Key upcoming dates in these cases:

- August 6: Stewardship Auction
- August 12: Bid Deadline for Florida, Arizona, and Texas (excluding St. Joseph's)
- August 13: Sale Hearing for Stewardship, Massachusetts, Arkansas, Ohio, Pennsylvania, Louisiana



Massachusetts Hospitals: Operations

The Debtors lease their eight (8) hospitals in Massachusetts under a master lease with Medical Properties Trust (“Master Lease II”) with a Joint Venture between Medical Properties Trust and Macquarie

- Steward has operated hospitals in Massachusetts since the Company’s inception in 2010 following the acquisition of 6 hospitals in Massachusetts from Caritas Christi Health, and in 2016, Steward acquired 4 additional hospitals* in the Commonwealth, including Carney and Nashoba Valley Medical Center
- Since 2019, the Debtors have incurred approximately \$140 million and approximately \$38 million in total EBITDA losses at Carney and Nashoba, respectively
- In the first five months of this year alone, the Debtors incurred ~\$80 million in EBITDA losses in the aggregate across their EIGHT (8) Massachusetts hospitals, including on account of rental expense at \$10 million per month
- Decline in inpatient discharges at Carney and Nashoba collectively by approximately 18% since 2022

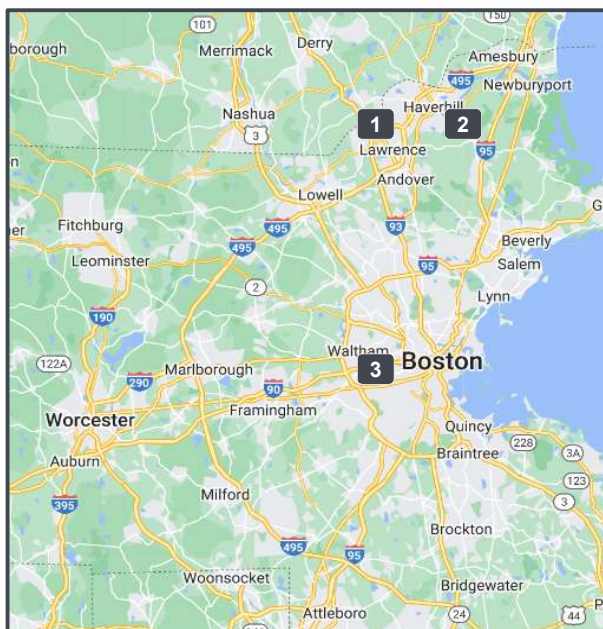
* Two of these ten hospitals closed prior to the Petition Date.



Massachusetts Hospitals: Sale Process

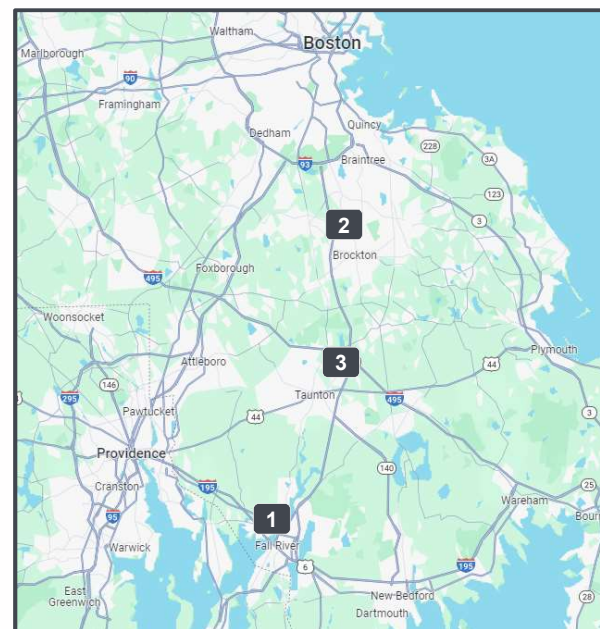
- Despite the fact that the Massachusetts hospitals generate significant operating losses (including on account of ~\$114 million in annual base rent obligations under Master Lease II), a number of high-quality operators, most backed by promises of financial support from the Commonwealth, have submitted binding bids to acquire 6 of 8 of the Debtors' Massachusetts hospitals (the **"Going Concern Hospitals"**):

Northern Massachusetts



- 1 Holy Family Hospital - Methuen
- 2 Holy Family Hospital - Haverhill
- 3 St. Elizabeth's Medical Center

Southern Massachusetts



- 1 Saint Anne's Hospital
- 2 Good Samaritan Medical Center
- 3 Morton Hospital

- Notably, no bids provide for a bidder to assume Master Lease II or acquire the underlying real estate at a value that exceeds the lease base under Master Lease II for such hospital*



Massachusetts Hospitals: Sale Process (cont'd)

- Even with the financial backing of the Commonwealth, the aggregate value of the bids (for total enterprise value – i.e., operations and real property) is a fraction of the value of Master Lease II, which proves (1) that the Debtors must reject Master Lease II to sell and transition the Going Concern Hospitals, and (2) MPT's and Macquarie's real estate investment in the Massachusetts hospitals is significantly impaired, and upon information and belief, MPT's and Macquarie's lender, Apollo is the fulcrum economic stakeholder in the hospital real estate
- The Debtors and their lenders have been funding losses in Massachusetts for years
- However, due to limited liquidity and inability to use cash collateral to fund losses (Budget not approved by DIP Lenders), the Debtors cannot continue to fund the operations of such hospitals
- The Debtors are working expeditiously to advance agreements with bidders for the Going Concern Hospitals
- To facilitate an orderly transition of the Going Concern Hospitals and avoid a public health crisis, the Debtors have previously engaged in mediation with MPT, as well as their joint venture partner (Macquarie), and their lender (Apollo) to facilitate a prompt agreement to sell or lease the underlying real property to the successful bidders
- The Debtors also received bids to acquire Carney Hospital and Nashoba Valley Medical Center for *de minimis* consideration; however, such bidders do not have the financial wherewithal to acquire or operate the hospitals in the Debtors' and consultation parties' view, nor the support of the Commonwealth and other key stakeholders to operate such hospitals (or other Massachusetts hospitals)
 - Accordingly, the Debtors have sought approval to close Carney and Nashoba by August 31, 2024



Remaining Steward Sale Processes

The Debtors are continuing to actively market their hospital operations in Florida, Texas, and Arizona, as well as their Stewardship health business

- ***Florida***

- Operations includes 8 of the Debtors' hospitals in Florida
- Marketing began in April 2024
- The bid deadline for Florida is August 12
- The Debtors have received numerous indications of interest for their Florida assets and are in discussions with bidders regarding acting as stalking horse bidders
- Debtors have continued to engage with bidders to improve bids

- ***Stewardship***

- Risk-based payor contracting network and related primary care practices
- Marketing began in December 2023
- The Debtors have received multiple bids and, as of today, intend to proceed with an auction on August 6



Key Assets of Debtors' Estates

1

Accounts Receivable (approximately \$933 million in Net Patient AR¹)

2

Hospitals – Dependent on Allocation & Florida Value

3

Stewardship – In process

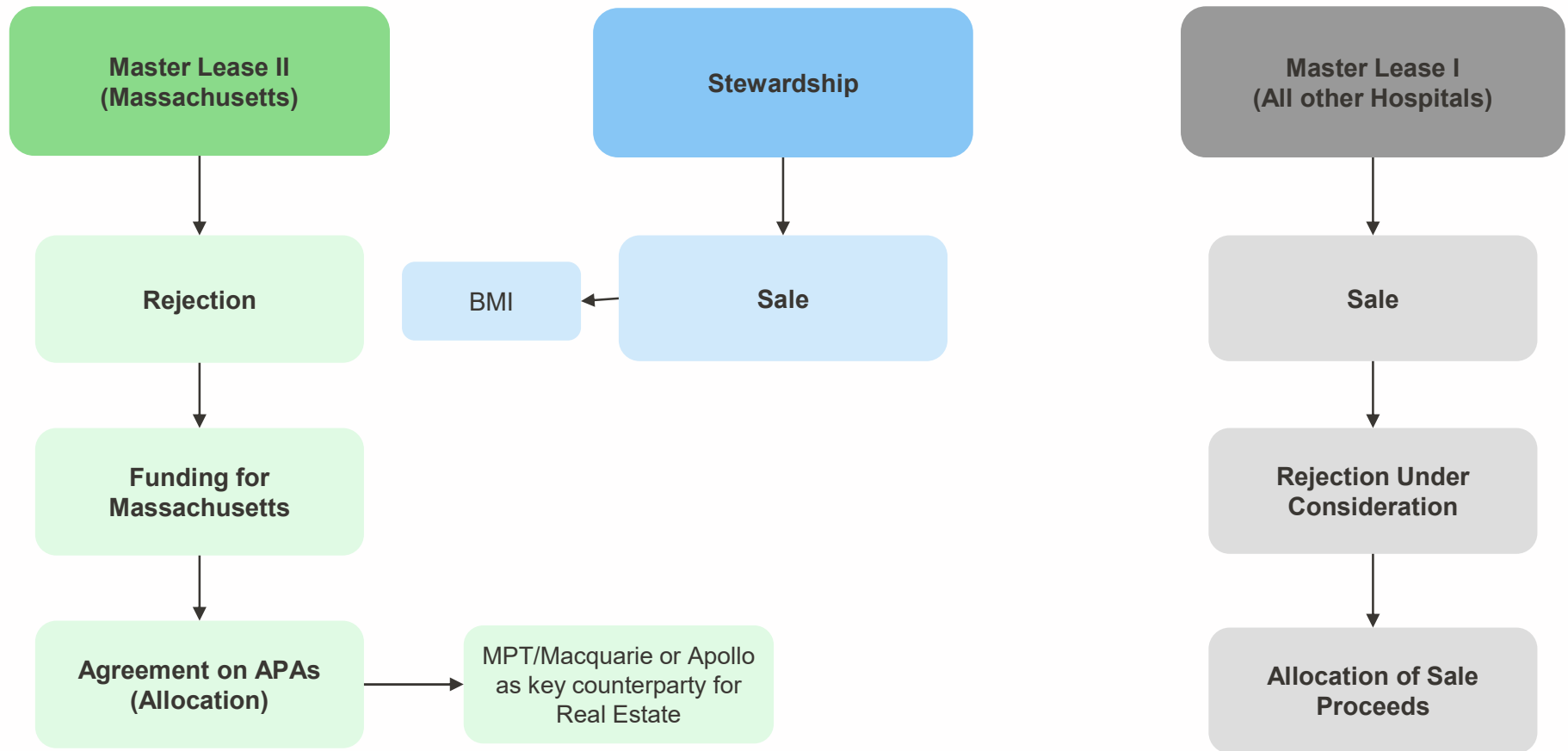
4

Claims & Causes of Action – Investigation in process

1. Net Patient AR means after Allowances for Contractuals & Uncollectibles, as of May 31, 2024



Certain Key Issues Remaining in the Chapter 11 Cases



Funding for operations through transition / confirmation of a Plan



Certain Key Issues Remaining In the Chapter 11 Cases (cont'd)

Steward



Debtors' Investigation of Claims



State, Federal & Foreign Investigations



Transition Plans & Operations for Hospitals



Chapter 11 Plan



Path Forward and Chapter 11 Goals

- 1 **Secure Funding to Transition Hospitals to New Operator(s) or Close
(If No Funding Secured, Work with Regulators to Safely Transition Hospitals)**
- 2 **Ensure Continued High Quality Patient Care Throughout Transitions, Sales, or Closures**
- 3 **Pursue & Execute Value-Maximizing Sales of Stewardship Health and Hospitals**
- 4 **Work with Mediation Parties to Reach Global Resolution on Allocation of Value**
- 5 **File and Confirm Chapter 11 Plan**
- 6 **Emerge from Chapter 11 and Address Any Remaining Stakeholder Disputes and Related Settlements**



The logo consists of a dark blue square with a white 'S' shape cutout, followed by the word 'Steward' in a white serif font.

Steward